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CAPITAL  GRAND
BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1329)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “Board” or the “Directors”) of Beijing Capital Grand Limited (the “Company” or the “Capital Grand”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018 together with unaudited comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
	<i>Notes</i>	2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	391,236	300,138
Cost of sales		(221,805)	(179,954)
Gross profit		169,431	120,184
Fair value gains on investment properties	5	183,281	100,088
Other gains/(losses) – net	5	2,130	(25,502)
Other income	5	14,174	6,317
Selling and marketing expenses		(62,639)	(40,215)
Administrative expenses		(134,880)	(63,462)
Operating profit		171,497	97,410
Finance costs	7	(66,736)	(38,370)
Share of losses of investments accounted for using the equity method		(1,251)	(12)
Profit before income tax		103,510	59,028
Income tax expenses	8	(91,061)	(49,738)
Profit for the period		12,449	9,290
Attributable to:			
– Owners of the Company		12,476	8,838
– Non-controlling interests		(27)	452
Earnings per share attributable to owners of the Company during the period	<i>10</i>		
– Basic earnings per share (RMB cents)		0.49	0.35
– Diluted earnings per share (RMB cents)		0.49	0.35

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>12,449</u>	<u>9,290</u>
Other comprehensive income for the period	<u>–</u>	<u>–</u>
Total comprehensive income for the period	<u>12,449</u>	<u>9,290</u>
Attributable to:		
– Owners of the Company	12,476	8,838
– Non-controlling interests	<u>(27)</u>	<u>452</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2018	31 December 2017
<i>Notes</i>		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
	Property, plant and equipment	25,756	26,290
	Long-term prepaid expenses	120,732	81,400
	Investment properties	8,873,499	7,951,890
	Intangible assets	2,298	2,767
	Investments accounted for using the equity method	107,562	108,015
	Deferred income tax assets	17,906	17,829
	Prepayments	11 281,070	–
	Total non-current assets	9,428,823	8,188,191
Current assets			
	Inventories	2,230,859	2,300,719
	Incremental costs of obtaining a contract	11,822	–
	Trade and other receivables and prepayments	11 750,331	555,291
	Restricted cash	32,255	58,110
	Cash and cash equivalents	3,477,362	1,793,200
	Total current assets	6,502,629	4,707,320
	Total assets	15,931,452	12,895,511

		As at	
		30 June 2018	31 December 2017
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	13	1,156,939	984,360
Other payables and accruals		285,201	1,110,895
Contract liabilities		1,243,037	–
Borrowings		368,056	660,000
Current income tax liabilities		34,929	34,352
Guaranteed notes	12	1,299,694	1,298,265
Total current liabilities		4,387,856	4,087,872
Non-current liabilities			
Borrowings		5,171,836	2,545,000
Deferred income tax liabilities		615,715	570,771
Total non-current liabilities		5,787,551	3,115,771
Total liabilities		10,175,407	7,203,643
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	16,732	16,732
Perpetual convertible bond securities	16	945,335	945,289
Reserves		3,232,215	3,232,215
Retained earnings		1,511,341	1,493,338
Non-controlling interests		50,422	4,294
Total equity		5,756,045	5,691,868
Total equity and liabilities		15,931,452	12,895,511

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Beijing Capital Grand Limited (formerly known as “Beijing Capital Juda Limited” before 7 June 2017) (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in outlets-backed integrated property, commercial property development and operation in the People’s Republic of China (the “PRC” or “Mainland China”).

In the opinion of the directors of the Company, the immediate holding company of the Company is BECL Investment Holding Limited, a directly wholly-owned subsidiary of Beijing Capital Land Ltd. (“BCL”, a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The ultimate holding company of the Company is Beijing Capital Group Co., Ltd. (“Capital Group”), a state-owned enterprise registered in the PRC.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. The Company’s shares are listed on the Main Board of the Stock Exchange.

This condensed consolidated interim financial information has been approved and authorised for issue by the Board of Directors on 22 August 2018.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new and amended standards and its impact as set out below.

(a) *HKFRS 15 Revenue from Contracts with Customers – Impact of adoption*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 “Revenue” (“HKAS 18”) and HKAS 11 “Construction contracts” (“HKAS 11”) that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

– Presentation of incremental costs of obtaining a contract and contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for advanced proceeds received from customer of sales of properties contracts in relation to property development activities were previously presented as advanced proceeds received from customers.
- Incremental costs of obtaining a contract recognised in relation to sales commissions were previously presented as trade and other receivables and prepayments – other prepayments.

– Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

– Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in incremental costs of obtaining a contract.

- Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

As a result of application of HKFRS 15, as at 30 June 2018, the total assets of the Group decreased by RMB55,839,000, the total liabilities decreased by RMB90,713,000. For the six months ended 30 June 2018, profit for the period attributable to owners of the Company increased by RMB34,874,000.

(b) *HKFRS 9 Financial Instruments – Impact of adoption*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(c) *HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018*

- Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

- Impairment

From 1 January 2018, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The impact of the change in impairment loss was immaterial to the Group.

(d) *Standards and amendments which are not yet effective*

The following are new/revised standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, but have not been early adopted by the Group.

Amendments to HKAS 40 HKFRS16	Transfers of investment property ⁱ Leases ⁱ
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(i) Effective for annual periods beginning on or after 1 January 2019

- HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB9,195,000 (31 December 2017: RMB11,094,000).

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective and would be expected to have a material impact on the Group.

4 OPERATING SEGMENT INFORMATION

The members of the Board of Directors ("Directors") is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Directors for the purposes of allocating resources and assessing performance.

The Directors consider the business from a product perspective. Management separately considers the performance of property development, investment property development and operation. The segment of property development derive their revenue primarily from sale of properties. The segment of investment property development and operation derive their revenue primarily from rental income.

All other segments primarily relate to sale of merchandise inventories and others. These operations are excluded from the reportable operating segments, as these operations are not the key concern of the Directors. The results of these operations are included in the "All other segments".

The Directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Interest income and expenses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Other information provided to the Directors, except as noted below, is measured in a manner consistent with that in the financial information.

Total segment assets exclude amounts due from related parties, cash and cash equivalents, restricted cash and deferred income tax assets, all of which are managed on a central basis. Total segment liabilities exclude amount due to related parties, borrowings, guaranteed notes and deferred income tax liabilities, all of which are managed on a central basis as well. These are part of the reconciliation to total assets and liabilities of the interim condensed consolidated statement of financial position.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the interim condensed consolidated statement of profit or loss.

	Property development RMB'000	Investment property development and operation RMB'000	All other segments RMB'000	Total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Six months ended						
30 June 2018 (Unaudited)						
Total revenue	196,645	157,893	36,924	391,462	–	391,462
Inter-segment revenue	–	(226)	–	(226)	–	(226)
Revenue (from external customers)	196,645	157,667	36,924	391,236	–	391,236
Segment operating profit/ (loss)	26,659	154,483	(20,151)	160,991	(145)	160,846
Depreciation and amortisation	(48)	(7,377)	(4,238)	(11,663)	–	(11,663)
Income tax expense	(42,684)	(47,721)	(656)	(91,061)	–	(91,061)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5	1,072,778	2,428	1,075,211	–	1,075,211
Six months ended						
30 June 2017 (Unaudited)						
Total revenue	170,055	104,761	25,475	300,291	–	300,291
Inter-segment revenue	–	(153)	–	(153)	–	(153)
Revenue (from external customers)	170,055	104,608	25,475	300,138	–	300,138
Segment operating profit/ (loss)	35,367	112,708	(53,842)	94,233	(117)	94,116
Depreciation and amortisation	(40)	–	(6,657)	(6,697)	–	(6,697)
Income tax expense	(16,034)	(33,704)	–	(49,738)	–	(49,738)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	–	1,335,216	42,368	1,377,584	–	1,377,584

	Property development <i>RMB'000</i>	Investment property development and operation <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2018 (Unaudited)						
Total segment assets	<u>2,434,155</u>	<u>9,393,078</u>	<u>545,433</u>	<u>12,372,666</u>	<u>(6,440)</u>	<u>12,366,226</u>
Total segment liabilities	<u>(778,187)</u>	<u>(1,338,379)</u>	<u>(463,373)</u>	<u>(2,579,939)</u>	<u>6,440</u>	<u>(2,573,499)</u>
As at 31 December 2017 (Audited)						
Total segment assets	<u>2,347,467</u>	<u>8,168,124</u>	<u>470,213</u>	<u>10,985,804</u>	<u>(21,198)</u>	<u>10,964,606</u>
Total segment liabilities	<u>(636,134)</u>	<u>(1,279,634)</u>	<u>(39,801)</u>	<u>(1,955,569)</u>	<u>21,198</u>	<u>(1,934,371)</u>

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Segment operating profit	160,846	94,116
Share of losses of investments accounted for using the equity method	(1,251)	(12)
Interest income	10,651	3,294
Finance costs	(66,736)	(38,370)
Profit before income tax	<u>103,510</u>	<u>59,028</u>

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Total segment assets	12,366,226	10,964,606
Cash and cash equivalents	3,477,362	1,793,200
Restricted cash	32,255	58,110
Deferred income tax assets	17,906	17,829
Amounts due from related parties	37,703	61,766
	<hr/>	<hr/>
Total assets per interim condensed consolidated statement of financial position	<u>15,931,452</u>	<u>12,895,511</u>
Total segment liabilities	(2,573,499)	(1,934,371)
Borrowings	(5,539,892)	(3,205,000)
Guaranteed notes	(1,327,665)	(1,326,329)
Amounts due to related parties	(118,636)	(167,172)
Deferred income tax liabilities	(615,715)	(570,771)
	<hr/>	<hr/>
Total liabilities per interim condensed consolidated statement of financial position	<u>(10,175,407)</u>	<u>(7,203,643)</u>

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. Revenue from external customers of the Group are mainly derived in the PRC for the six months ended 30 June 2018 and 2017.

As at 30 June 2018, total non-current assets other than deferred income tax assets located in the PRC is RMB9,410,911,000 (31 December 2017: RMB8,170,352,000), the total of these non-current assets located in Hong Kong is RMB6,000 (31 December 2017: RMB10,000).

For the six months ended 30 June 2018 and 2017, the Group does not have any single customer with the transaction value over 10% of the Group's total external sales.

5 REVENUE, OTHER GAINS AND OTHER INCOME

An analysis of revenue, other gains and other income is as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue		
Sale of properties	196,645	170,055
Rental revenue of investment properties	157,667	104,608
Others	36,924	25,475
	<u>391,236</u>	<u>300,138</u>
Other gains – net		
Fair value gains on investment properties	183,281	100,088
Net foreign exchange gains/(losses)	1,041	(25,805)
Others	1,089	303
	<u>185,411</u>	<u>74,586</u>
Other income		
Bank interest income	10,651	3,294
Others	3,523	3,023
	<u>14,174</u>	<u>6,317</u>

6 PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of properties sold	116,593	122,851
Cost of goods sold	31,922	17,950
Operating leases expense	6,521	4,911
Depreciation and amortisation	11,663	6,697
Employee benefit expense:	102,545	37,562
– <i>Wages, salaries and staff welfare</i>	85,938	31,344
– <i>Pension scheme contributions</i>	6,309	2,297
– <i>Other allowance and benefits</i>	10,298	3,921

7 FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	113,708	23,751
Interest expense on related parties borrowings	–	13,778
Interest expense on guaranteed notes	35,555	35,478
Less: interests capitalised	(82,527)	(34,637)
	<u>66,736</u>	<u>38,370</u>

8 INCOME TAX EXPENSES

Hong Kong corporate are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period (six months ended 30 June 2017: Nil).

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2017: 25%) on the taxable profits of the Group's PRC subsidiaries during the period.

The implementation and settlement of PRC land appreciation tax ("LAT") varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, which equals the proceeds from sales of properties less deductible expenditures including land use rights, development and construction expenditure and other related expenditures.

The amount of income tax expense charged to the interim condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	11,558	23,810
– PRC land appreciation tax	31,293	7,860
Deferred income tax	48,210	18,068
	<u>91,061</u>	<u>49,738</u>

9 DIVIDENDS

No dividend has been paid or declared by the Board of Directors during the period (six months ended 30 June 2017: Nil).

10 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings per share amount for the six months ended 30 June 2018 is based on the profit for the period attributable to owners of the Company of RMB12,476,000 (six months ended 30 June 2017: RMB8,838,000), the weighted average number of ordinary shares of 961,538,462 (six months ended 30 June 2017: 961,538,462), the weighted average number of convertible preference shares (“CPS”) of 1,072,928,106 (six months ended 30 June 2017: 1,072,928,106) and the weighted average number of shares of 513,185,911 (six months ended 30 June 2017: 513,185,911) into which the perpetual convertible bond securities (“PCBS”) may be converted, in issue during the period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	12,476	8,838
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares	961,538,462	961,538,462
Weighted average number of CPS	1,072,928,106	1,072,928,106
Weighted average number of shares into which the PCBS may be converted	513,185,911	513,185,911
Weighted average number of shares for basic and diluted earnings per share	2,547,652,479	2,547,652,479

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	<u>19,182</u>	<u>17,234</u>
Prepayments for land use rights of investment properties	281,070	–
Prepayments to related parties	325	2,275
Prepayments of merchandise inventories	82,908	35,832
Other prepayments	6,780	12,601
Prepaid income tax and land appreciation tax	90,495	88,072
Prepaid other taxes	248,411	158,805
Deposits for land use rights	72,550	–
Other deposits	30,338	31,918
Amounts due from related parties	47,129	61,766
Receivables from government repurchase of land use rights	74,360	78,515
Other receivables	<u>77,853</u>	<u>68,273</u>
	<u>1,031,401</u>	<u>555,291</u>
less: non-current portion		
– prepayments for land use rights and construction costs of investment properties	<u>(281,070)</u>	–
Current portion	<u>750,331</u>	<u>555,291</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in the trade receivables are trade receivables of RMB2,105,000 (31 December 2017:RMB5,879,000) due from related parties which are receivable within 1 year and represented credit terms similar to those offered to other major customers.

An aging analysis of the Group's trade receivables as at the end of the reporting period, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Up to 3 months	19,182	16,034
Over 6 months	<u>–</u>	<u>1,200</u>
	<u>19,182</u>	<u>17,234</u>

12 GUARANTEED NOTES

On 23 July 2015, Rosy Capital Global Limited (“Rosy”), a wholly-owned subsidiary of the Company, the Company and Capital Group entered into the subscription agreement with the Hong Kong and Shanghai Banking Corporation Limited, DBS Bank Ltd., ABCI Capital Limited, Bank of China (Hong Kong) Limited and China Construction Bank Corporation, Singapore Branch in connection with the proposed international offering of RMB1,300,000,000 guaranteed notes due in July 2018 proposed to be issued by Rosy (the “Notes”). The Notes carry interest at rate of 5.25% per annum, which is payable semi-annually in January and July. The issuance of the Notes has been completed on 30 July 2015 and the Notes have been listed for trading on the Stock Exchange on 31 July 2015.

As at 30 June 2018, the Notes was classified as current liabilities as it will be due within 1 year (31 December 2017: classified as current liabilities). The Notes has been repaid in July 2018.

	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Nominal value of guaranteed notes issued	1,300,000	1,300,000
Direct transaction costs	(8,060)	(8,060)
Interest expense	206,817	171,262
Interest paid	(171,092)	(136,873)
	1,327,665	1,326,329
Accrued interests for guaranteed notes, classified as other payables under current liabilities	(27,971)	(28,064)
	1,299,694	1,298,265

13 TRADE PAYABLES

An aging analysis of the Group’s trade payables as at the end of the reporting period, is as follows:

	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	1,121,104	984,323
1 to 2 years	35,835	37
	1,156,939	984,360

Included in the trade payables are trade payables of RMB1,499,000 (31 December 2017: RMB637,000) due to related parties which are repayable within 1 year and represented credit terms similar to those offered by the related parties to other major customers.

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

14 SHARE CAPITAL

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Authorised:		
Ordinary shares 20,000,000,000 (31 December 2017: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>160,009</u>	<u>160,009</u>
Class A CPS 738,130,482 (31 December 2017: 738,130,482) CPS of HK\$0.01 each	<u>5,875</u>	<u>5,875</u>
Class B CPS 905,951,470 (31 December 2017: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>173,459</u>	<u>173,459</u>
Issued and fully paid:		
Ordinary shares 961,538,462 (31 December 2017: 961,538,462) ordinary shares of HK\$0.01 each	<u>7,828</u>	<u>7,828</u>
Class A CPS 166,976,636 (31 December 2017: 166,976,636) CPS of HK\$0.01 each	<u>1,329</u>	<u>1,329</u>
Class B CPS 905,951,470 (31 December 2017: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>16,732</u>	<u>16,732</u>

15 CPS

Class A CPS

The class A CPS with a par value HK\$0.01 each were created as a new class of shares in the share capital of the Company on 22 January 2015. Upon the completion date of the business combination of Xi'an Capital Xin Kai Real Estate Ltd. on 22 January 2015, the Company issued 738,130,482 class A CPS (which are convertible into 738,130,482 ordinary shares of HK\$0.01 each in the share capital of the Company at HK\$2.66 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class A CPS), resulting in credits to share capital of approximately RMB5,875,000 (equivalent to approximately HK\$7,381,000) with par value of HK\$0.01 each and share premium of RMB1,556,817,000 (equivalent to approximately HK\$1,956,046,000) respectively.

Class B CPS

The class B CPS with a par value HK\$0.01 each were created as a new class of shares in the share capital of the Company on 14 December 2016. Upon the completion date of the business combination of Beijing Chuangxin Jianye Real Estate Investment Ltd. and Zhejiang Outlets Real Estate Co., Ltd on 14 December 2016, the Company issued 905,951,470 class B CPS (which are convertible into 905,951,470 ordinary shares of HK\$0.01 each in the share capital of the Company at HK\$2.78 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class B CPS), resulting in credits to share capital of approximately RMB7,575,000 (equivalent to approximately HK\$9,060,000) with par value of HK\$0.01 each and share premium of RMB2,098,232,000 (equivalent to approximately HK\$2,509,485,000) respectively.

The above mentioned CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid ordinary shares at the conversion ratio of one CPS for one ordinary share. Holders of the CPS will have the right to convert all or such number of CPS into the new ordinary shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules. The CPS shall be non-redeemable by the Company or their holders.

Each class B CPS shall confer on its holder the right to receive a preferred distribution (“Preferred Distribution”) from the date of the issue of class B CPS at a rate of 0.01% per annum on the issue price, payable annually in arrears. Each Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution.

Besides, each class A and class B CPS shall confer on the holder thereof the right to receive any dividend pari passu with holders of ordinary shares on the basis of the number of ordinary share(s) into which each CPS may be converted on an as converted basis.

16 PCBS

On 28 December 2016, the Company issued PCBS in the principal amounts of HK\$657,594,260 to Smart Win Group Limited and in the principal amounts of HK\$420,096,153 to KKR CG Judo Outlets respectively, resulting in credits to PCBS of RMB945,197,000 after deducting the direct professional fee of RMB22,817,000.

The PCBS has no fixed maturity, and can be redeemed by the Company at any time after 30 years from the issuance date, in its sole and absolute discretion. The PCBS shall be convertible at the option of its holders, at the initial conversion price of HK\$2.10 per share, into a maximum of 513,185,911 new ordinary shares, provided that the holders of PCBS may not exercise the conversion rights whenever the conversion would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

The holder(s) of the PCBS are entitled to a simple interest on the outstanding principal amount of the PCBS at a rate equal to 0.01% per annum on a non-cumulative basis, of which the Company shall have the right, exercisable in its sole discretion, to elect to defer the payment, with no interest accrued thereon. The Company shall not pay any dividends, distributions or make any other payment on any ordinary shares, class A CPS and class B CPS or other share capital of the Company unless at the same time it pays to the holders of the PCBS any deferred or unpaid interest payment. In the event that any dividend or distribution is paid on the ordinary shares, CPS (save and except for Preferred Distributions to be paid on the class B CPS at a rate which shall not exceed the rate of interest hereunder) or other share capital of the Company, the Company shall pay additional variable interest on the PCBS representing such dividend or distribution so paid in an aggregate amount equal to (a) the amount of such dividend or distribution per share multiplied by (b) the aggregate number of ordinary shares into which the PCBS then outstanding may be converted, in the same form and on the same date.

As at 30 June 2018, the Group has accrued interest amounting to RMB138,000 (31 December 2017: RMB92,000).

17 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted, but not provided for:		
Properties under development	534,730	265,023
Investment properties	685,316	203,920
	<u>1,220,046</u>	<u>468,943</u>

18 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Mortgage facilities for certain purchasers of the Group's properties	<u>1,483,936</u>	<u>1,397,714</u>

As at 30 June 2018, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the property title certificate which is then pledged with the banks.

19 SUBSEQUENT EVENTS

On 6 July 2018, Shanghai Juke Investment Management Co., Ltd, a wholly-owned subsidiary of the Company, obtained the land use right in Nanning, the PRC, at the auction price around RMB362,516,000, the land is to be developed into outlets-backed commercial integrated project.

In August 2018, a wholly-owned subsidiary of the Group, Trade Horizon Global Limited successfully issued floating rate guaranteed notes (the "Guaranteed notes") due 2021 amounting to US\$400,000,000, which is guaranteed by the Company and with the benefit of the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking to be provided by the Capital Group. Besides, the Group came into a structured cross currency swap agreement to manage the exchange risk of the Guaranteed notes.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW OF OUTLETS

In the first half of 2018, China's national economy has basically maintained a momentum of stable development with GDP growth rate being 6.8%. The economic growth has remained within a reasonable range and a rising trend of slow yet steady recovery and stabilized with progress has been extended. Affected by economic restructuring and new and old kinetic energy conversion, there remained an evident transmission effect of macro economy on the consumption field. The total national retail sales of consumer goods in the first half of this year amounted to approximately RMB18 trillion, representing a year-on-year growth of 9.4%, while categories of upgraded consumer goods enjoyed rapid growth with a contribution rate arising from the final consumption expenditure to the economic growth reaching 78.5%.

Driven by the new demands and new consumption, the sales of categories of upgraded consumer goods grew rapidly. Benefiting from the continuous growth of per capita disposable income, the increasing willingness of consumers to pursue quality consumption and other factors, the domestic outlets industry extended its continuous high-speed momentum of growth in the first half of this year, witnessing an increasingly fierce market competition. The offline outlets have been enjoying a high level of consumer satisfaction due to their diverse brands, on-the-go features, guaranteed product quality, comprehensive service experience and other advantages, contributing to the growing scope of the development within the industry.

BUSINESS REVIEW

STEADILY EXPANDING WITH THE LEADING POSITION ON INDUSTRY SCALE

- During the period, the Group newly expanded projects in Qingdao and Nanning, bringing the total outlets projects owned and managed to 16, further strengthening its competitive edge in terms of scale among the peers.

DELIVERING STEADY GROWTH IN OPERATING RESULTS THROUGH THE PURSUIT OF OPERATIONAL EXCELLENCE

- During the period, seven outlets projects in operation achieved a turnover of nearly RMB2.37 billion, representing a year-on-year growth of 43%. Annual customer traffic was 10.32 million, representing a year-on-year growth of 23%, indicating a steady growth in the operating results.
- During the period, the Group has fully utilized the advantages arising from its chain development of multiple projects across the country and made use of the leverage from its superior projects to help attract desired brands to under-construction projects, eventually the desirable results were achieved. On 29 April, Wuhan Capital Outlets was grandly opened. In the first three days, visitor traffic of the projects reached up to 200,000 and sales achieved RMB25.70 million.

ADHERING TO THE ORIGINAL ASPIRATION TO ENHANCE COMMODITY OPERATING CAPABILITIES

- **Leveraging on the multitude chain effects to expand brand portfolios and ensure the quality of the product sources**

Give full play to the Group's advantages arising from its chain and large-scaled operation of multiple projects, practically establish strategic alliances with more premium brands as well as promote brand partnership for multiple projects, with an aim to continuously expand brand bank. In the meantime, set up a series of KPIs which focus on the visitor traffic, conversion rate, unit transaction price, turnover per square meter and so on, match and analyze membership big data and brand big data, optimize the win-win relationships among the portfolio of "Brand owners + Capital outlets + Members", thereby creating the quality category combination with high priority to meet the value demands of the targeted consumer groups.

- **Deepening joint operations and gradually carrying out operations for our own accounts to optimize the portfolio of supply chain**

Leverage the Group's edges in the economy of scale and membership data, deepen joint operations with selected premium brands, clarify the management boundaries with brand owners and Capital Grand, thereby organizing the structure and quality of goods. In the meanwhile, carry out overseas direct sourcing, introduce superior brands through proprietary business, improve project positioning and commodity quality as well as broaden and optimize the supply chain, hence supporting the Group's strategic expansion.

ADOPTING CLIENT-CENTRIC APPROACH, IMPROVING CUSTOMER SERVICE

- **Boundless Outlets capturing customers' demand to the greatest extent**

According to the on and off the market big data analysis on consumer, the Group continued to achieve transformation and innovation in terms of brand introduction, upgrades, product innovation, scenario creation, price determination and promotion strategy. The SKU of 鉅 MAX, the online platform for Capital Outlets, kept expanding in an attempt to provide consumers with increasingly diversified products to further boost and stimulate potential purchasing powers.

– **Promoting transformation of experience format with precise insight in consumer demand**

Considering the increasing consumer demand focusing on the health improvement and lifestyle enhancement, the Group introduced Jump 360 – a trampoline-based ride to several stores to initiate new notion of fitness and healthy consumption and create differentiated experience of Capital Outlets with a view to increasing patronage, improving customer retention and raising their repeat purchase rate.

Benefited from spaces, the well-planned Fangshan Capital Outlets successively introduced well-received restaurants that went viral, arranged “Snow Carnival” and developed a large-scale interactive program with a view named “Magical Water World”, of which “Simulated Surfing” was introduced for the first time among the business sector nationwide, which boosted the interest level of customers, increased entertainment atmosphere and customer interactive experience as well as obtained sound results in income generation.

Through detailed market investigation and research as well as off the market data analysis, Wanning Capital Outlets fully leveraged its “Tourism Outlets” characteristics, fostered cross-industry alliances and cooperation with hotels and surrounding scenic areas to provide tourists with guidance when visiting the island. The customer traffic in the first half of the year doubled from the corresponding period last year.

– **Continuously increasing brand influence of Capital Outlets to ensure brand image regarding the Group’s platform business model**

During the period, the Group won a total of 12 industry-related awards, including the “China Commercial Real Estate Operation Management Innovation Awards” (中國商業地產運營管理創新獎) issued by the China Commercial Real Estate Forum (中國商業地產行業發展論壇), which further increased Capital Outlets’ influence in the industry to gradually enable the Group to become the key opinion leader in the domestic outlets industry.

During the period, “Capital Outlets, Run for Fun” accomplished four running competitions in Hefei, Hangzhou, Daixian and Wuhan, respectively, total participants of which amounted to 600,000. In addition, the Group arranged “Kids Run” running event and delivered the theme of “Happy Run, Healthy Living” to promote and put forward the notion of fitness for all and jointly create the social responsibility for better life.

FINANCIAL REVIEW

1. Revenue and Operating Results

For the six months ended 30 June 2018, the revenue of the Group was approximately RMB391,236,000, representing an increase of 30% from RMB300,138,000 for the same period of 2017. The increase in revenue was mainly attributable to the increase in rental income led by the stronger sales performance of the outlets in operation.

For the six months ended 30 June 2018, the Group achieved a gross profit margin of approximately 43%, representing an increase of 3 percentage points from 40% for the same period of 2017. The increase in gross profit margin was mainly attributable to the increase in overall gross profit driven by higher gross profit from sales of properties in Jinan and other cities.

For the six months ended 30 June 2018, operating profit of the Group was approximately RMB171,497,000, representing an increase of 76% from RMB97,410,000 for the same period of 2017. The increase was mainly attributable to the increase in the rental of the outlets projects represented by the Beijing area, which resulted in the fair value appreciation on the investment properties.

For the six months ended 30 June 2018, profit for the period of the Group was approximately RMB12,449,000, representing an increase of 34% from RMB9,290,000 for the same period of 2017. The increase was mainly due to the growth in operating profit.

2. Liquidity and Financial Resources

The Group's liquidity remained on a healthy level and financial resources were also reasonably distributed. As at 30 June 2018, the Group's cash and cash equivalents and restricted cash totaled RMB3,509,617,000 (31 December 2017: approximately RMB1,851,310,000), of which approximately RMB3,506,340,000 (31 December 2017: RMB1,834,881,000) and approximately RMB3,277,000 (31 December 2017: RMB16,429,000) were denominated in RMB and Hong Kong dollars ("HK\$") respectively. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 30 June 2018, the Group's current ratio was 1.48 (31 December 2017: 1.15).

As at 30 June 2018, the Group's net gearing ratio was 58% (31 December 2017: 47%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings and guaranteed notes (including the current portion and the non-current portion), less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase of total borrowings of the Group.

3. Change in Major Subsidiaries

Qingdao Juda Outlets Business Operation Management Limited (青島鉅大奧萊商業管理有限公司), a subsidiary of the Group, was established in May 2018, and 100% of its net assets was held by the Group.

4. Borrowings and Guaranteed Notes

As at 30 June 2018, the Group's borrowings from banks and other financing institutions were approximately RMB5,539,892,000 (31 December 2017: approximately RMB3,205,000,000). The bank borrowings were secured by the land use rights and the buildings of investment property, and/or guaranteed by the Company or BCL.

As at 30 June 2018, the amortized cost of the Group's guaranteed notes (the "Notes") was approximately RMB1,327,665,000 (31 December 2017: RMB1,326,329,000), included in current liabilities. The guaranteed notes with a face value of RMB1,300,000,000 due 2018 at the nominal interest rate of 5.25% per annum was listed for trading on the Stock Exchange on 31 July 2015. The details of the Notes were set out in the announcements dated 20, 24 and 30 July 2015. The Notes has been repaid in July 2018.

5. Foreign Exchange Exposure

Major subsidiaries of the Company operate in the PRC and most of the transactions are denominated in RMB. As certain of the Group's monetary assets and liabilities are denominated in HK\$, any significant exchange rate fluctuations of HK\$ and US\$ against RMB may have financial impacts to the Group. As at 30 June 2018, the Group does not use any derivative financial instruments. Nevertheless, the Group will review the risk from time to time and take response measures if necessary.

6. Financial Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2018, the financial guarantees amounted was approximately RMB1,483,936,000 (31 December 2017: RMB1,397,714,000).

7. Capital Commitments

As at 30 June 2018, the Group had capital commitments relating to the development properties under construction of approximately RMB534,730,000 (31 December 2017: RMB265,023,000), and had capital commitments relating to the investment properties under construction of approximately RMB685,316,000 (31 December 2017: RMB203,920,000).

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Board recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Corporate Governance Code contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

For the period ended 30 June 2018, the Company has complied with the code provisions of the CG Code except for a deviation of the CG Code provision E.1.2 that the chairman of the Board should attend the annual general meeting ("AGM") of the Company. The chairman of the Board did not attend the 2017 AGM due to an urgent business engagement. The chairman of the audit committee of the Company (the "Audit Committee") had chaired the 2017 AGM and answered questions from the shareholders with the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiries by the Company, all Directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2018.

HUMAN RESOURCES

As at 30 June 2018, the Group employed about 895 employees (as of 30 June 2017: 668). The remuneration policy and package of the Group's employees are structured in accordance to market terms, performance, qualifications and experience of individual staff and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ngai Wai Fung as chairman, Ms. Zhao Yuhong and Mr. He Xiaofeng as members. The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2018.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com). The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Beijing Capital Grand Limited
Lee Sze Wai
Company Secretary

Beijing, 22 August 2018

As at the date of this announcement, the Board comprises Zhong Beichen (Chairman) and Mr. Feng Yujian (Chief Executive Officer) as executive Directors; Mr. Sun Shaolin, Mr. Wang Hao, Mr. Wang Honghui and Mr. Yang, Paul Chunyao as non-executive Directors; and Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng as independent non-executive Directors.